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The MANAGEMENT REVIEW

January, 1934

Industrial Control and the National Industrial Recovery Act*

By CHARLES R. STEVENSON, Senior Partner.
Stevenson, Jordan & Harrison

THERE has probably never been a time in the history of the world when so many people have been seriously considering, thinking, and discussing fundamental economic problems and the mechanisms which control the conditions under which we all live. This condition has been brought about by the exceeding severity and length of the depression.

A thorough understanding of the matter involves, naturally, an analysis and discussion of the causes which produced the depression and the complete dislocation of our economic structure. Space will not allow a complete discussion of the causes which led up to the present débâcle. There have been volumes written and spoken on the subject, and no clear-cut universally accepted explanation is yet forthcoming.

It seems to me that several factors are involved. I shall mention them briefly as they stand in my mind, without attempting to appraise or discuss them.

1. The practically complete utilization of our free public lands.
2. The end of an era of great overexpansion of productive capacities.
3. The severe shrinkage in our foreign markets through the development of productive capacities in our customer countries. This applies to both agricultural products and manufactured goods.
4. The tremendously increased productivity of the individual worker,

* Address before the Municipal Club of Brooklyn, November 28, 1933.
The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

- both agricultural and mechanical, through improved technical processes and increased use of power.
5. The pressures of excess capacities, both agricultural and mechanical, for distribution, with consequent debasement of prices, exploitation of labor, and destruction of capital.
 6. The exportation from our country of great volumes of material wealth through our uncollectible war and private debts to foreign countries.

There are undoubtedly other causes, and some of the causes listed are open to question. The fact remains, however, that our economic structure has broken down and that, if we are going to continue as a successful nation, we must examine and face the causes which have brought it about and lay such plans as we are able to repair the damage and to prevent its recurrence.

We should also consider in determining our future course the objectives we desire to secure and the kind of country in which we want to live and leave for our children to live in. We certainly do not want to continue to live in a country where 25 or 30 per cent of the people are wretched and distressed and where at least 50 per cent of the people are unhappy and living in constant fear of economic disaster. Living as we do in a country which is perfectly capable from a natural resource standpoint and from the point of view of existing productive capacity to furnish all material comforts necessary to well-being, and to provide sufficient leisure for cultural development, it seems a matter of supreme stupidity that we cannot so organize ourselves as to obtain these objectives.

Naturally, many theories and plans to achieve these objectives have been developed. They range all the way from the doctrine of *laissez-faire* to the extreme theory of pure Communism, being tried out in a modified form in Russia.

No one who understands human nature can believe that the principles of Communism are tenable or that any considerable group of people could live happily under that system. This is particularly true of our country where we believe so firmly in the principles of individual initiative, individual reward, and private ownership of property. We are not prepared to accept the theories of State Socialism with state ownership of all means of production. I do not think we want to submit ourselves to the dictates of a Fascist Dictator as Italy has done, nor to the uncontrolled prejudice and emotionalism of a German Hitler. We want to preserve, as far as we are able, the basic American principles of the capitalistic system—private ownership of property, individual initiative, and individual reward, consonant with the contribution of the individual to the public welfare.

Those who stand by the doctrine of *laissez-faire* believe that these economic swings are inevitable and that the human suffering and destruction

which they entail are justified by the periods of upswing and prosperity which spring from the wrecks of our periods of depression.

Those of us who believe that we must find a better way of controlling and regulating the productive and distributive forces of the nation believe that the suffering and distress which these periods of depression cause are too great a price to pay for untrammeled individualism. We believe that the principle of untrammeled individualism has failed and that we must apply our intelligence to solving the problem in such a way that we can move along, more slowly perhaps but without these periods of suffering and distress, to a greater and better future for the nation as a whole. We believe not in leveling the nation down to the poverty level, as we are accused of doing by eminent protagonists of the *laissez-faire* system, but in bringing the country up to a level of prosperity and well-being for all. We prefer to see all of the people living comfortably happy lives than to see a few of the people gradually absorbing the entire wealth of the country and the great mass of our people existing below the cultural level. We are willing to sacrifice a certain amount of individual freedom to bring this about.

These are the principles and the underlying thoughts which are embodied in the National Industrial Recovery Act. The act itself represents, frankly, an experiment, a first step in a method of industrial control which is necessarily faulty, incomplete, and which cannot possibly be expected to produce 100 per cent results in its present form. It does represent, however, a fundamental and revolutionary change in the economic thought of the American people. We should consider the act in this spirit. As it stands today, it is undoubtedly unconstitutional, although the courts would probably sustain it on the theory that it is a temporary measure to overcome a national emergency.

At the present time a wave of criticism and dissatisfaction with the act and its administration is sweeping over the country. This dissatisfaction comes from labor who have been led to expect too much, from the farmers who object to the higher prices that shorter hours and increased labor costs of manufacture make necessary, from consumers who object to increased prices made necessary by increased labor costs and an attempt on the part of industrial management to secure at least a meager return on their investment, from some of our industrialists themselves, because of the confusion and delays which they encounter in Washington when they attempt to secure the control features which the law has promised them, and also from a certain group of industrialists who resent the public checks and controls which of necessity have been written into the law and which must be exercised if industry is given the right to control prices and adjust production to consumption.

No one recognizes more fully than I this feeling of dissatisfaction which has sprung up and the reasons which impel it. No one regrets more than

I the confused conditions which have developed in Washington, the failure to face the issues clearly and completely, and the inadequacy of the law itself to meet the conditions fully. Yet, I think we must recognize the magnitude of the task with which the Administration in Washington is faced, the extreme difficulty of satisfying all of the conflicting opinions and interests with which they have to deal, and admit that in the face of these difficulties they are doing an extraordinary job.

The real answer, I think, lies in visualizing clearly the concepts underlying the law and the benefits which many of us believe will eventually flow from it. Let us support the experiment in the same way with which we would support a radical experiment in our own business. Let us make our criticism constructive and not destructive. Let us put our shoulders to the wheel and do our part in making the principles which underlie the law a success.

It is unfortunate that the labor control provisions and the industrial control features of the law are bound together in the one act. It is supremely evident that we must adjust the working hours for both industry and agriculture to the amount of work which is to be done. If we can do the work of the country with every one who wants a job working thirty hours a week, why let some of our people work forty and others live on relief funds and unnecessary public projects? Let us determine accurately and intelligently, as it is perfectly possible to do, how many hours a week it is necessary to work to do the work of the country in the present state of our purchasing power and adjust the hours accordingly. Let us be prepared to increase these hours as the consumption of the country responds to the increased purchasing power we create by giving every one a job. But above all, let us face the basic fact that every man who wants a job is entitled to it and see that he gets it, and at a wage which will enable him to live as a decent American should live.

This is the first basic principle embodied in the law; we have gone very far in making it effective, but not far enough. We must go the rest of the way, and we cannot stop until we have provided work for every man who wants to work.

The second principle embodied in the law is that industry shall have the right to control and regulate itself in accordance with the judgment of the substantial majority in each industry. This is a right that most of us who are engaged in business have demanded for a good many years, but I am afraid we have demanded it from a selfish point of view rather than from the broad standpoint of public interest.

Ever since the war industry has suffered from a constantly increasing destructive competition. As excess capacities were developed in most of our industries, the pressure of these capacities for complete utilization brought about a condition of destructive competition which resulted in inadequate

profits for industry and in constant pressure to reduce wages. Even during the periods of peak production, '27, '28, '29, we were accustomed to speak of profitless prosperity brought about by this excessive competition which in turn was brought about by our excessive productive capacity. We tried to meet these conditions by organizing trade associations in many of our industries, but when we came to organize our industries we found ourselves subject to the inhibitions of the Sherman Law and also subject to the unwillingness of a certain recalcitrant minority in every industry who were unwilling to accept the judgment of the majority and who insisted on their short-sighted policy of destroying industries on which they themselves were dependent. Much effective work was done by many of our trade associations, but, naturally, operating under these handicaps and inhibitions, nothing approaching a completely satisfactory job could be done.

These conditions were greatly magnified by the decline in production brought about by the depression, and since '29 the destructive nature of our competition has increased, and the losses sustained by capital invested in industry have been staggering.

Earnest efforts had been made by many of us to secure an amelioration of the anti-trust laws but without success until the passage of the National Industrial Recovery Act, which offers relief from the inhibitions of the trust laws in return for operating industry with reduced hours and increased wages. We are now struggling to make this permission effective through our codes, but here again we are meeting resistance from the advisory boards which have been set up in connection with the National Recovery Administration, and we do not find a clear-cut willingness on the part of the Administration to face the issue and allow industry to regulate itself subject to public interest.

We also find a very great divergence of opinion among industrialists themselves due to the unwillingness of certain important factors in our industrial structure to face the obvious fact that, if we are given the right to control prices and allocate production, we must submit ourselves to public control.

It is the fear of those who object to public control of industrial organizations that the control will become bureaucratic, and eventually the entire management of business will be taken from them and vested in the hands of the government itself. There is no reason why this is necessary or why it should be, if we can approach the thing in an intelligent way.

The proper function of government in industry control is to pass judgment on the actions which our various industrial groups have taken or are proposing to take from the standpoint of public interest, and *not to determine what those actions shall be*. This method of controlling industry has been well worked out in England, where industry is permitted to organize and enter into agreements provided the actions which they take and the

agreements which they enter into are not inimical to public interest. Determination of whether the actions taken or proposed to be taken are or are not in public interest is passed on by the courts. It is the opinion of some very able men who have devoted considerable study to this subject that we could very wisely adopt the same principle of control in this country and that industry should be given broad freedom of action, subject only to the courts, which would gradually develop a body of practice and precedent which would clearly define the term "public interest."

I do not believe that this would be the most satisfactory method of applying the necessary check. We have already established a precedent in our public utility commissions and in the Interstate Commerce Commission before the primary purpose of the Commission was clouded with additional regulatory powers which were not contemplated in the act originally creating the Commission. I do not claim that our various public utility commissions or the Interstate Commerce Commission itself have always acted with complete wisdom or fairness. In some cases they have been subject to political control, and the fairness of their decisions has sometimes been questionable, but, broadly speaking, they have succeeded in bringing about fairly equitable rates in the public utility field.

The most practical way to accomplish what we desire to accomplish—a reasonable control of the power which should be given industry to regulate itself—would be to set up a dozen or more industry control boards which should have the right to review and pass upon the decisions of each industry arrived at through the trade association, set up to control each industry, by majority vote. Each of these commissions should deal with a broad section of industry—one perhaps with textiles, one with natural resource industries, one with iron and steel and related products, one with food products, and so forth. These commissions should be appointed by the President, should be non-partisan, and should be charged with the duty of seeing that each industry, through its trade association, so administers its own industry that the best interests of the public as a whole would be served.

I do not think it would be necessary for these commissions to build up large clerical staffs or to attempt to gather figures or data from original sources. All of this work should be done by the staff of the trade association itself. These commissions, in my opinion, should have nothing to do with labor relations or labor rates, the control of labor hours and basic wages being handled separately from the control of industry through a properly constituted labor board. The nucleus of such a labor board has already been set up under the direction of Senator Wagner.

Most of us, I think, believe that business is a means of securing private profit and that it is the inherent right of the individual or individuals who own a business to operate it in any way they see fit and to exact as large a profit as possible from its operation. We must get a broader picture of

business. The fundamental purpose of business is to produce and distribute goods so that the objectives which we have in mind for the country as a whole can be attained.

This broad fundamental purpose may be divided into three parts—to provide employment at cultural wages; to provide adequate return for management and capital; and to supply goods to the consuming public at prices as low as are consonant with the first two objectives. If we accept this thesis as to the fundamental purpose and function of business, we must lay aside our long-established fetish of freedom of the individual to do as he pleases with his own business.

Industry should have the right to establish prices which meet the three objectives just enumerated. Industry should have the right to distribute available business among the available plants; and the right of an individual to expand his productive capacity or to bring new capacity into businesses which are already sufficiently capacitated should be restricted in the same way that restrictions are placed on capital desiring to engage in public utility enterprises. In other words, let us recognize once and for all the broad basic principle that business is clothed with public interest, must be operated in the public interest, and that the return to management and capital is merely incidental to this basic purpose and not a prime objective in itself.

From the point of view of public interest, the most important factor is the determination of the price which the consuming public shall pay for the products of industry. Under the concept of business which has dominated all of us so long, the effort on the part of the producer has been to exact as high a price as possible, and the effort on the part of the consuming public has been to secure as low a price as possible.

It is in this conflict between greeds—the greed to profit and the greed to buy below cost—that industry and the consuming public itself are being destroyed. It must be remembered that, while we speak of the consumer as a separate entity, in actual fact the consumer is not only a consumer but a producer; his source of income and purchasing power depend upon the profitable operation of industry, either through wages and salary or through interest on investment. If either greed secures the upper hand, the broad interests of the public are injured. True public interest consists in setting a price at which goods should move fairly between producer and consumer in such a way that the producer is able to achieve the true objectives of industry—to pay adequate wages and adequate return on management and capital and at a price which is fair to the consumer.

A fair price can be determined for every product of industry if each industry is integrated through its trade association, average cost figures for the industry as a whole are determined and the price so set that, after fair wages are paid, a fair return, and a fair return only, on the true value of the capital invested in the industry is secured. It will become the function

of the control boards to determine whether the prices which our integrated industries set up are fair and reasonable and established in such a way as to carry out the principles outlined above.

The objection may be raised that this method of conducting business will eliminate private initiative and that all business will sink to a dead level of mediocrity. The method just outlined will produce exactly the opposite effect. If an average fair industry price is determined for each industry, based on the average industry cost, the super-efficient plant will make a super-profit and the inefficient plant will be forced either to modernize and increase its efficiency or will be forced to the wall. There will be ample scope for individual initiative and ambition to develop extraordinary efficiencies to secure the super-profits which will be possible under this system, and, as this ambition and ability demonstrates itself in increased efficiency, the average cost of the industry will be lowered so that the products of the industry can be more widely distributed and the consuming public proportionately benefited.

Furthermore, this method of stabilizing and assuring reasonable profits to all industries will remove the pressure to debase wages. It will enable us to set up proper allocation of production and distribution of work, so that work will be available at all times to those desiring it. It will stabilize the value of securities, so that the savings of individuals, whether dealt with on an individual basis or through our savings banks and insurance companies, can be rendered stable and secure.

When we add to this the fundamental principle of control of excess capacity through recognizing that all business is clothed with public interest and that additional capacities can only be provided when certificates of convenience and necessity have been secured through the control boards, we shall have established an industrial system of controlled capitalism which will be far more effective in obtaining the objectives which we desire and in giving us a happy, contented people than any of the systems which are now being tried out in other parts of the world.

THE MANAGEMENT INDEX

Abstracts and News Items

GENERAL MANAGEMENT

Production and Price Control Under Codes of Fair Competition

The business depression gave stimulus to agitation for amendment of the Anti-Trust Laws with a view to relaxation of the restrictions on co-operative agreements in relation to production and prices. The basis of this agitation was the belief that controlled production and maintenance of profitable price levels were necessary steps toward business recovery. The agitation subsided, at least temporarily, with the enactment of the National Industrial Recovery Act, which exempts codes, agreements, and licenses under the Act from provisions of the Anti-Trust Laws and opens the way to production and price control under government supervision. The effects of such control cannot be evaluated properly until sufficient time has elapsed to furnish a background of experience. This survey by the Conference Board, however, indicates the nature of some of the problems involved in co-operative regulation and also the degree of control sanctioned by the National Recovery Administration.

The methods by which direct control of productive activity is attempted under approved codes of fair competition represent either a specific limitation of the amount of production of each member of the industry or a general restriction on productive operations. In addition, indirect control of production is applied in some instances through the medium of regulations intended to prevent additions to existing productive facilities.

"It seems evident," the report concludes, "that the approved codes have not as yet

brought about, to any considerable extent, the cartelization of American industry. Direct control of the productive activities of individual enterprises by the quota method has been attempted in only three industries. Price agreements have been restricted to the establishment of minimum prices, and even that limited form of control has been applied in only a few industries. This failure to apply more generally cartel methods of production and price control may be explained in part by the unwillingness of the National Recovery Administration to sanction such methods, except in special cases. Doubtless, also, the individualism that has heretofore dominated American industry has been a factor in preventing the widespread adoption of code provisions that would tend to establish the type of regimentation represented in cartel policies." *National Industrial Conference Board Memorandum No. 18*, December 11, 1933. 22 pages.

Provisions for Minerals in International Agreements

A study of the mineral resources of the United States and the world in their political and international relations reveals that the nations that are the largest consumers of minerals, United States, Great Britain, France and Germany, have been most active in furthering their interests in such fields by means of treaties. The guiding principles discernible in these treaties are: 1. Mineral reserves, regardless of their geographical distribution, are world resources which should be available

to all nations; 2. The movement of minerals from their sources to the points of consumption should be as free as possible. By William P. Rawles. *Political Science Quarterly*, December, 1933, p. 513:21.

Here Is Administration's Position on Copeland Bill

In this article the Chief, Food and Drug Administration, seeks to clear up what he believes to be certain misconceptions regarding the proposed new Food and Drugs Act. He asserts that the framers of this bill have no pride of authorship and that it will be radically revised. He insists, however, upon retaining certain objectionable provisions. "While there can be no meritorious objection to modification of those provisions of the bill which may promote clarification, the Department will have no patience or sympathy with amendments designed to emasculate it or to nullify provisions intended to afford public protection." The article has the written approval of Professor Tugwell, shown by a signed statement from him. By Walter G. Campbell. *Printers' Ink*, November 30, 1933, p. 6:4.

Parliamentary Procedure for Business Gatherings

An analysis of the seven underlying principles of parliamentary procedure. In business meetings formal parliamentary procedure, according to Mr. Bowers, usually has a deadening effect on discussion. The intent and spirit which underlies the rules are far more important than the ritual. By Glenn A. Bowers. *World Convention Dates*, November, 1933, p. 27:2.

Controlled Management

Most managements which are not successful do not want profits hard enough to do whatever is necessary, regardless of consequences, to secure them. The causes of failure are curable, but there must be the desire to get well and the willingness

to take the required medicines, backed by determination to stay well once a cure has been effected.

In this article, which begins with an argument showing the crying need for controlled management, emphasis is on man rather than methods and systems, for in the last analysis, according to the author, it is humans who, through their ingenuity and design, use mechanisms to put their ideas into practice, therefore no treatment of profit can be complete without consideration of the real cause—those who constitute the personnel of a given enterprise. Profit, therefore, involves men plus methods. A budget, in the hands of an executive who ignores the human factors involved will be about as much use to him as a motor car in the hands of a savage, for he has not the vaguest notion how the thing works. By J. A. Lizotte. *Industry Illustrated*, September, 1933, p. 24:3.

1934—Why Not Try Capitalism?

The President of the National Industrial Conference Board points out that we are moving rapidly and unconsciously toward the socialization and governmentalizing of our economic system in the United States. The nature of this movement, he feels, merits a careful examination of the capitalistic system which we as a nation have suddenly decided to reject. After reviewing the operation and achievements of capitalism as we have known it in this country, Dr. Jordan concludes that, in contrast to the economic policies of the New Deal, "it would be much wiser and better for industry, labor and the Government to concentrate their efforts for the immediate present on the promptest possible restoration of the fundamental forces of capitalistic enterprise, and, for the future, on the progressive improvement of the capitalistic mechanism so as to secure the greatest release of the creative energies of individuals in effective work. This would be far wiser and better than to try to make the world over on another basis—especially on the basis of the assumption

that the *status quo* in any field of interest, whether of labor or capital, can be permanently preserved by government or law or group agreement. The planners, regimenters and controllers are the true standpatters from the point of view of real economic forces, and capitalism in the essential American sense is the most radical and progressive and adaptable economic system the world has ever seen. If we want to be radical and progressive, if we really want to treat ourselves to a New Deal, after many years of steadily wider drifting away from its basic principles, it would be worth trying a dose of pure, unadulterated American capitalism in the United States. But it must be taken straight, and it should be used well before shaking." By Virgil Jordan. *American Bankers Association Journal*, December, 1933, p. 14:4.

cases, and prescribes a study of symptoms, preventives and cures. By Francis X. Welch. *Public Utilities Fortnightly*, November 23, 1933, p. 628:9.

After N.I.R.A.—What?

The events of the past few months, the author states, "have caused many persons, both inside and outside of industry, to regard the N.I.R.A. as a gift horse presented to us under false pretenses for the sole purpose of confiscating our property and unionizing our shops." In regard to the latter objective he is convinced that just as capital has had no thought of using the Recovery Act otherwise than to promote its purpose of increasing the employment and welfare of its co-workers, so will capital inevitably resent any attempt of professional men whose living depends upon it to use this same humane Act for the purpose of extending their own dominion in any manner that is not sought or encouraged by the employees, especially when the latter are contented with their past treatment so far as their employer is concerned, and so far as the recent distressing business conditions have permitted.

The author proposes that we rush neither backward toward our former state of Sherman Act rigidity, nor forward too far to a state of governmental regimentation that would unduly limit the initiative of an industry to regulate itself. Since the masses of industry are suffering from restrictive legislation induced by public fear of certain large units, he raises the question whether it is not time that separate consideration be accorded to them. If so, he proposes that, when there are units in any industry which are either so large, so essential, so dominating, or whose past record is such, that the public would fear to trust them under a system of real self-regulation, they shall thereupon be considered as "affected with a public interest" and shall accordingly receive merely the same necessary degree of supervision or regulation that we shall otherwise attempt

What Ails Chambers of Commerce?

American business, organized in its chambers of commerce, can discover, by fact-finding methods, the most productive and the most profitable course for business as a whole to take at this time; but the chambers of commerce must first realize the fact that the most important member of their board should be the consumer with his dollar. By Edward A. Filene. *Nation's Business*, October, 1933, p. 37:4.

Wanted—A National Rate Board for the Power Industry

The author proposes that a central board be established, independent of the national association of the power industry, to study and classify rate controversies, to prepare and preserve a case history or fever chart of rate agitation, and make information of this kind available to any company having a public rate problem on its hands. The writer believes that lack of intelligent and organized rate policy supervision is causing unnecessary financial loss. He diagnoses rate controversies, classifies them as "original" cases and "sympathetic"

to apply to all industry. By J. Harvey Williams. *Polity*, November 15, 1933, p. 7:5.

Forgotten Tools of Prosperity

This analysis of industry and its divisions states that no sustained recovery is possible through the fostering of only the consumer-goods (those immediately used up) branch. The second division, the capital-goods (durable goods) branch, has achieved such importance in our national life that in 1929, of the \$70,000,000,000 of manufactures for that year, capital goods accounted for \$40,000,000,000 and consumer goods for \$30,000,000,000. Statistics prove that it is the capital-goods industries which have been prostrated, their declines ranging from 45 to 54 per cent. In 1933, the total deficiency in output for this branch will, according to the author, approximate \$40,000,000,000. This means obsolete machinery, plant and transportation and the allied requirements of the consumer-goods and general industry for which there is urgent need. Mr. O'Leary indicates that the

question of credit is a major one and quotes figures which show that while the Federal Reserve's excess reserves had mounted to record totals this year, only one dollar was being released for the type of securities financing capital goods against 49 dollars in 1929. As told by John W. O'Leary to H. I. Metcalf. *Commerce*, November, 1933, p. 10:3.

A Lumber Man Makes a Cold Appraisal of the NRA

In summing up the "debts" and "credits" to his industry attributable to the NRA the sales manager of the Morgan Millwork Company, states that "the NRA in the lumber industry has increased labor costs, will be fairly expensive to operate, has caused terrific confusion thus far; on the other hand, it takes the control out of the irresponsible 'bandit' element and places it in the hands of the responsible, forward-looking element. The net result is on the credit side of the ledger." By Thomas I. Corddry. *Sales Management*, December 15, 1933, p. 582:2.

FINANCIAL MANAGEMENT

Currency Is Very Hard to Manage

Reviewing the relationship between money and prices, the author concludes that "cutting the gold content of the dollar will accomplish none of the price relief anticipated by inflationists unless accompanied by an expansion of credit and a more rapid turnover of currency and credit, and that the latter could just as well accomplish the objects in view without any interference with the present gold unit . . . Restoration or adjustment of dollar values will not be easy in any event, but it will be easier to the extent that the problem is not complicated by elaborated theories and attempts to manipulate prices in the process. The best assurance

of higher commodity prices is a stabilization of business conditions which will give assurance to both capital and labor, agriculture and industry, debtors and creditors, that in their efforts to work out of business depression they will have the solid foundation of a sound monetary policy." By George E. Anderson. *American Bankers Association Journal*, December, 1933, p. 21:3.

Suggestions for Improving the Banking System

The President of the "Chase" National Bank presents a pertinent summary of the banking situation in the United States. He indicates that many of our erstwhile

banking ills may be traced directly to the mixed association of two essentially different banking functions in the uniting of commercial and investment banks. While it may appear essential that there be co-ordination between the two, Mr. Aldrich states that the banking system will not suffer in usefulness and will escape deserved criticism by the absolute separation of these two fields.

While recognizing the improvements in the banking system which will be derived from the Glass-Steagall Bill, the author recommends amendments to prevent certain practices, such as loans to bank officers by syndicates, and he suggests revisions which would remove practical difficulties as regards the "affiliate."

In closing, Mr. Aldrich tends to alleviate to some extent, the blame put on bankers for the depressed condition of banking to-day. Although its recent history has given little promise of revival, an improved and coordinated system under the guidance of our able bankers—the author maintains that there are still a great many—would give a more prosperous hue to the banking situation. By Winthrop W. Aldrich. *The Chase National Bank of the City of New York*, 1933. 32 pages.

Buying Power or Gold?

Our radically new monetary policy is an attempt first to inflate and then to stabilize the dollar. It seeks a dollar with a fixed buying power, instead of a fixed gold value and in this, he feels, it has an even chance of success. By Thomas Nixon Carver. *New York Herald Tribune Magazine*, November 12, 1933, p. 5:2.

Manner in Which Overhead Expenses Can Be Distributed to Individual Products Shown

Uniform cost accounting for control, whether in a small organization or a large one, Mr. Kedzierski points out, is accepted by accountants as having four elements of expense: materials, labor, factory overhead, and distribution expenses. The chart

accompanying this report suggests a method for handling each of these costs. *Domestic Commerce*, October 30, 1933, p. 129:2.

The Local Debt of New York State by County Areas

Prepared by Meech, Harmon, Lytle & Blackmore, 1933. 37 pages.

Inflation and Your Money

This discussion "in terms which the layman can understand" of what money is, what its place is in the economic system, and what it can, and cannot do to promote recovery, is a reprint of a series of articles which recently appeared in the *New York Times*. Eight men representing both major political parties have sponsored this discussion presenting their viewpoint on the money problems of the day. Having prepared the background with an examination of "Real Money," "Representative Money," "Deposit Money," "The Money Supply and the Federal Reserve System," and "The Gold Standard," the writers come through a discussion of "Money and Prices" to the issue of "Inflation" itself. Among the specific questions considered in the later chapters are "The Thomas Amendment," "Managed Currencies," and the "Silver Problem." By Edward H. Collins. *Duffield & Green*, 1933. 32 pages.

Prices Versus Production

The authors hold that the physical volume of production and consumption is more important in restoring gross dollar income than is a rise in the price level. Excessive prices, artificially raised above the general price level, tend to diminish the physical volume of goods exchanged. The Federal government, they point out, was given a lively appreciation of that elemental fact when the increase in first-class letter postage by 50 per cent reduced the number of letters mailed so drastically that the resulting gross dollar income was no greater than before the price increase.

It is plain, they conclude "that the quoted prices of commodities and products and labor do not represent the volume of sales, and that, no matter how high are the prices quoted, no income results until goods and services are freely exchanged. Attempts to artificially force prices up or down retard a return of normal physical volume. Inasmuch as the gross dollar income of all classes is the going price level multiplied by the physical volume, it is essential that physical volume be increased. The continued depression in the dollar volume of business is for the most part due to the lack of adequate physical output. An increase in turnover awaits price equalization and stabilization, whereupon goods and services will freely exchange in large volume." By Allen W. Rucker and N. W. Pickering. *Farrel-Birmingham Company, Inc.*, 1933. 12 pages.

National Recovery and Dollar Depreciation

A survey of the factors which have made for depreciation of the dollar in terms of gold currencies and of the problems which this depreciation presents to the successful administration of the national recovery policy. The case for cutting loose from gold and thereby promoting a rise in domestic and world prices and bringing relief to dollar debtors, both American and foreign, is critically examined: first, in the light of the highly sensitive currents which affect the gold value of the dollar when not linked to gold, and second, in relation to the actual course of commodity prices.

On the first point the self-aggravating nature of the flight of capital and speculative operations is emphasized. An attempt is made to evaluate the major factors in the balance of payments since the suspension of the gold standard, though the scarcity of relevant data is honestly acknowledged. The charts indicating the changes in domestic, export, and import prices show that the two latter groups

have in general moved in correspondence with the fall in the gold value of the dollar while domestic prices have failed to keep pace. The point is made that a dollar fluctuating in terms of gold can scarcely be expected to promote a gradual and sustained rise in dollar prices to a general level that will iron out existing disparities in the price level. Therefore, to supplement the policy of the government to carry out "a controlled recovery of domestic prices" the "control of the international value of the dollar" through the medium of federal reserve machinery similar to the British Exchange Equalisation Fund is recommended. *National Industrial Conference Board Memorandum No. 13*, September 29, 1933. 22 pages.

The Laundryowners National Association Revised System of Uniform Accounting

By Domer E. Dewey. *L.N.A. Service Bulletin No. 30*, November 27, 1933. 14 pages.

The Case for Insured Deposits

Pointing out that the general uncertainty concerning the soundness of banking in this country has caused a large percentage of deposits to be transferred from even the most conservative institutions to postal savings and private hoards, a country banker asserts that he considers his contribution to the deposit insurance corporation a small price to pay for the use of funds which will flow back into his bank when confidence is restored. In regard to the argument that guaranteed bank deposits will countenance unsound banking in small towns at the expense of strong institutions in large cities, the author maintains that unsound practices have not been confined to the "sticks" and that, had a deposit insurance corporation been functioning three years ago, it would have had a tremendous bulk of losses in cities of more than 100,000 population. The author concludes that "if banking in this country is to return to

the degree of safety and solidity which the public attributed to it until very recent times, then there must be steps taken to make sure that only those banks continue in business which can meet a high set of standards. . . . I believe that such high

standards of banking will be enforced that the losses to the deposit insurance corporation will be far lower than the Jeremiahs now predict." By W. E. Crum, Jr. *The Burroughs Clearing House*, October, 1933, p. 9:4.

Insurance*

General Electric Benefit Payments

More than ten million dollars has been paid to employees and families of employees of the General Electric Company in death and disability benefits under group life insurance plans, according to an announcement by Gerard Swope, president of the company. Within a year's time the amount of these payments increased by a million dollars, the total at the end of 1932 having been \$9,000,000. A total of 4,360 families and more than 600 permanently disabled employees have been the recipients of these payments. This represents an average to each beneficiary of more than \$2,000.

Group life insurance of General Electric employees first began in 1920. In 1925 the additional insurance plan was adopted, under which group policies, paid for by the employees, were placed, in addition to the policies which are paid for by the company. At present approximately 47,000 employees are insured under these two arrangements, the total insurance amounting to \$140,000,000. Of this sum, \$60,000,000 is represented by the group policy paid for by the company and \$80,000,000 is represented by the additional insurance, paid for by the employees. *General Electric Company*, December, 1933. 2 pages.

Medical Control Featured in Compensation Plan

Emphasis is placed upon the actual accident costs per dollar of payroll together with the indirect cost through breaking in

new men and through the loss of production, machinery, stock, etc. A physical survey of the properties and a private survey as to the morale of the organization is essential in order to determine the proper safety plan to be developed.

The zone system is suggested for surgical and medical care, aiming to provide the best possible service by competent individuals and institutions. The selection of the zone surgeon is based entirely upon his ability. He should become thoroughly acquainted with the workmen's compensation act, and requirements under the system. The promiscuous distribution of serious injuries throughout the territory has been found unsatisfactory.

Physical examinations are considered essential, for the physically unfit are most prone to injury and the hardest to cure in case of injury. Cooperation is urged to enlist or induce these men to submit to corrective care that will place them in proper condition. By C. T. Smith. *The Eastern Underwriter*, October 14, 1933, p. 13:1.

Control of Industrial Disease

The vice president of the Liberty Mutual Insurance Company points out that in some industries the cost of industrial disease is four or five times that of all other industrial accidents combined. Many concerns find themselves virtually uninsurable because of these diseases and the heavy liability for claims that has been built up as the result of past exposure. Various suggestions are offered and the

* Insurance abstracts are contributed by P. D. BETTERLEY, Assistant Treasurer, Graton & Knight Co.; Vice-President in Charge of Insurance Division, American Management Association.

futility of some methods which have been proposed as means of overcoming the problem are set forth in this article. Not by any single device but by continued development may we hope to bring this threat

to the health of the worker and the pocket-book of the employer under ultimate control. By David S. Beyer. *Journal of American Insurance*, October, 1933, p. 19:3.

OFFICE MANAGEMENT

Organization: Job Analysis, Employment, Pay, Tests

Motion Time Analysis as Applied to Office Practices

Motion study as applied to office practice includes all operations from the messenger service to the most repetitive operation. The first step in the study should be an analysis of the various operations in each department. The routing of work is, according to the author, a major problem. "It is usually best not to recognize departmental lines but to consider the one essential question: How can the work be done most effectively and economically?" Equipment and forms must be inspected for adequacy and suitability. After this analysis each clerk should be provided with a written copy of the standard practices decided upon. The next step is to analyze the various motions with the object of performing the operations with the least energy. The motion analyst must study each operation and teach the operator the best known method. Finally, it is necessary to establish standards of production for each operation. By H. F. Fathauer. *N.O.M.A. Forum*, October, 1933, p. 15:4.

Office Workers' Earnings

This study of the earnings of office workers employed in New York State factories includes a table showing the average weekly earnings over a ten-year period of all office workers, another which shows the earnings of men and women workers separately, classified as to being employed in New York City or up-State establishments, and a third table which indicates the changes from the previous year in

the number of office workers employed and the total amount of their payroll.

The table of employment and payrolls in factory offices in October, 1933, indicates a rise since a year ago of 1.2 per cent in both personnel and wage payments. The increases during the past year have been small in the case of office workers, whereas the gains for shop workers have been fairly large. While both employment and payrolls of office workers rose 1.2 per cent during the year, the number of total factory employees, that is, office and shop combined, and the total amount of wages paid out were both 17 per cent higher than in October, 1932. *The Industrial Bulletin*, November, 1933, p. 287:2.

Measuring Commercial Office Work for Wage Incentives

A description of the procedure for establishing standards for office work in utility companies, and a presentation of illustrations of standards that are actually in use, together with examples of compensation plans that have been found effective. By E. N. Keller. *N.O.M.A. Forum*, October, 1933, p. 19:11.

How We Speeded Up Order Handling and Eliminated Errors

Elimination of errors and a great reduction of labor costs have been brought about in the Nunn, Bush, and Weldon Shoe Company by shifting several office routines from various kinds of typing operations to the use of a gelatine roll duplicator. The operations in which the plan has been

adopted to the greatest advantage are the handling of mail orders and of salesmen's orders, orders from their retail stores, and the factory tickets which accompany each lot of shoes through the plant. The plan is described by the office manager of the company. By A. J. Witmeyer. *System and Business Management*, December, 1933, p. 552:3.

Economy in Office Routines

A discussion of the outstanding problems facing financial executives in which the following conclusions are reached: 1. Define existing routines and methods with a view towards establishing the possibilities remaining for improvement in existing routines and more clearly determining type to be selected and advantages of modernized office machinery and equipment; 2. In selecting equipment, fit the requirements, avoid leaning backwards to ac-

commodate the requirements to the machine; 3. After installation of new equipment and routines, follow up the effect with time study and in repetitive clerical work, motion studies; 4. Use time studies as a basis for compensating the rank and file of clerical workers, placing a high premium on the reduction of errors; 5. Assurance that methods are fundamentally sound will pave the way for establishing reliable budgets; 6. The budgets established upon a sound basis, provide a reliable foundation for compensating the various financial department's divisional heads; 7. As the financial division is a service center, short-sighted immediate economies causing unnecessary increases in the costs of other functions, should be avoided. By F. H. Rowland and R. H. Rositzke. *Paper presented before Boston Chapter of National Association of Cost Accountants, November 2, 1933.* 15 pages.

Records: Forms, Charts, Cards, Files, Statistics

How to Chart the Course of a Business

Graphic analysis plays an important part in setting forth basic facts of a business, obtainable from balance sheets and profit and loss statements. The author shows, by means of four illustrated charts, that this graphic analysis, giving facts greater visibility, need not be confined to large companies; "simplified and standardized, as herein suggested, they are equally practical for the small business unit." By Francis J. Batchelder. *System and Business Management*, October, 1933, p. 447:4.

Recap Insures Accuracy

A very slight alteration of the recap system on invoicing has afforded the Jewel Tea Company, Inc., major savings and improvements in results. Formerly the recap was figured in sales. If the billing clerk made an error in showing the number of sales per case the invoice was incorrect, the recap was incorrect, and the

error was not caught. Under the present system the recapping is done by case and extended at so much a case. The quantities shipped as shown by recaps are posted to the inventory ledger. At the last physical inventory, after 28 weeks without adjustments, the rate of error was just over one-one thousandth of one per cent. *System and Business Management*, October, 1933, p. 453:2.

Statistical and Reporting Requirements of N.R.A.

The codification of industry under the N.R.A. program involves a great expansion of the statistical recording and reporting work of individual companies and of industrial and trade associations. The kinds of information which have been requested, the reasons for requesting this information or the uses that it is expected to serve, and the requirements in respect to reporting periods are briefly summar-

ized. It is indicated that the Division of Economic Research and Planning favors the 13-month year for all statistical reporting. *National Industrial Conference Board Memorandum No. 16*, November 17, 1933. 13 pages.

Accounting for Material Use and Control

A good stock record, the author maintains, should indicate the relative stocks of slow- and fast-moving items. In so doing, it provides a basis for substantial reductions in overhead and the attainment of maximum efficiency in the use and control of material.

While admitting that stock records may, and should, vary with the type of business and the functions they are to perform, the author discusses certain fundamental units of information which may be gathered together on the stock records and thereby increase their usefulness. He describes a practical signalling device which facilitates a rapid determination of

the status of each item in stock. "A good stock record," he concludes, "is not an expense; it is an asset." By W. A. Block. *N. A. C. A. Bulletin*, October 15, 1933, Sec. I, p. 201:7.

Setting Up a Catalog File

A description of the assembling of a catalog file which greatly reduced loss of time and increased the quality of the reference in the Ross Gear and Tool Company. The following observations were made: 1. The block system of numbering has a recognized advantage; 2. The files should be cap size, larger than ordinary correspondence files; 3. The alphabetical cross index card file of manufacturers should be placed centrally on top of the cabinets and on each side a basket should be placed; 4. All new catalogs should pass through responsible hands to determine their usefulness and the block into which they should be filed. *System and Business Management*, December, 1933, p. 555:2.

PRODUCTION MANAGEMENT

General: Promotion, Organisation, Policy, Development

Revival of Automobile Industry

Estimates of the National Automobile Chamber of Commerce indicate that total automobile vehicular production in the United States and Canada during 1933 will show an increase of 45 per cent over that of 1932. This report traces the development of the industry pointing out that it employs 10 per cent of the "gainful workers" in the United States. The importance of the automobile industry from the point of view of raw materials used is illustrated by a table showing total consumption in the industry in 1932. A promising future awaits the industry, according to this report—nearly half the cars in use in the United States are now five years old or older, indicating postponed purchases

which will soon create a greater replacement market. *The Index* (New York Trust Company), December, 1933, p. 209:7.

The Place of Metallurgists in Industry

By reviewing the growth of industrial metallurgy, the Professor of Mining and Metallurgy, Carnegie Institute of Technology asserts his belief that routine control and research must be divorced. Routine control may properly come under the jurisdiction of the direct operating superintendence but research "must be independent of such dictation otherwise the day by day demands of operating problems will relegate research to the background, and almost certainly will cause interruptions

which are a detriment to successful development of new projects." By James Aston. *The Iron Age*, November 23, 1933, p. 20:3.

Occupational Changes Since 1850 as Shown by Census Reports

Great changes in the occupations of the people of the United States have occurred during the past several decades as a result of new methods of doing work, increased mechanization of industry, and changing consumption habits. An analysis of the Census Bureau's reports from 1850 to 1930 shows certain of the more striking changes—the decline or death of certain trades and

professions, the birth and increase of others, etc. *Monthly Labor Review*, November, 1933, p. 1017:11.

Small Shop Operating Costs and Profits

Small shops, employing from 10 to 50 men, play an important part in our industrial system. The chief factor of success in the small plant is the realization and utilization of its competitive advantages. The author outlines a system of operating procedure showing the small shop owner a straight thinking course of costs and profits. By Fred B. Jacobs. *The Iron Age*, December 14, 1933, p. 16:2.

Plant: Location, Lighting, Heating, Ventilation

Crackdown on the Real Chiseller

If only one-tenth of one per cent of all of the obsolete capital goods now being used in American industry were condemned, demolished or replaced by new and improved varieties of products, a tremendous stimulus would be given to the revival of prosperity. On this basis, the author characterizes obsolescence as "the new American frontier" which inhibits our emergence from the valley of depression.

Four general methods are proposed for dealing with the problem of obsolescence. Most other proposals which have been advanced are a variation or combination of these basic principles: 1. Develop plans for machinery manufacturers to include in N.R.A. codes methods of disposing of their own obsolete products; 2. Develop plans for machinery users to include in N.R.A. codes methods of disposing of their own obsolete equipment; 3. Develop plans to tax capital goods obsolescence so that it would be prohibitive in cost to own industrial equipment and machinery longer than a reasonable predetermined life period; 4. Apply a compensating tax to machine hours so that a national fund could be established with which to buy obsolete equipment for the purpose of scrapping it so as to protect price levels in capital goods markets.

"From a practical point of view," the author concludes, "we of course realize and appreciate the fact that any proposals for eliminating obsolescence are quite visionary in nature. However, if we had been a little more visionary before N.R.A., we might have all been better prepared for it. The New Deal is expensive. If industry is to foot the bill in taxes, it might as well benefit from expenditures." By Hartley W. Barclay. *Mill & Factory*, December, 1933, p. 23:6.

Light to Work By

A detailed description of the efficient lighting system in use in the plant of Leeds & Northrup Company. By Dwight W. Koppes. *Mill & Factory*, December, 1933, p. 41:4.

Unit Heaters Keep Petrolagar Plant at 70°

A description of the heating system installed in a modern plant. Although these laboratories are in an exposed location and have a window space of over 10,400 square feet, the usual plant temperature is maintained even in sub-zero weather. Concealed radiation is utilized in the offices; in the plant proper the heating units are suspended 12 feet from the floor. Each

heater has three speeds on separate switches allowing maximum flexibility. The system is described by the company's chief engineer. By W. F. Weaver. *Industrial Power*, December, 1933, p. 13:3.

To Buy or Not to Buy Equipment

Six major points, according to the Chief Industrial Engineer, Republic Steel Corporation, demand consideration in determining when changes of equipment in an existing plant are economically justified: 1. Years required for investment to pay

for itself; 2. Per cent of operations for equipment concerned; 3. What items of cost to consider; 4. Cost factors which effect a saving; 5. Factors which may offset all or part of the saving; 6. How to choose between alternative proposals. The article is illustrated with tables in which the author evaluates the possibilities of various types of equipment figuring the gross return on investment by the cost per operating hour. By E. M. Richards. *Factory Management and Maintenance*, December, 1933, p. 499:2.

Employment: Classification, Selection, Tests, Turnover

Comparative Study of the Output of Men and Women

A study of the comparative output of men and women employed in the same kind of factory work, carried on by two Italian experts over a period of 24 working days, showed that men produced their lowest output at the first hour of the work

period, both morning and afternoon, while women reversed this, showing their lowest output at the last hour of each work period. A study of the production curves led to the conclusion that efficiency calls for shorter working hours for women than for men, with no overtime. *Bulletin of the International Management Institute*, July, 1933, p. 107.

Industrial Economics: Labor and Capital, Legislation, Wage Theory, Immigration

Significance of Nonmechanical Factors in Labor Productivity and Displacement

While the utilization of machinery and mechanical power has been the outstanding factor operating to increase labor productivity since the beginning of the machine age, there are other factors that have often been of equal and sometimes of even greater importance. Especially significant are such factors as the improvement of working conditions and the adjustment of working time; selection of personnel; synchronization of motion; improved cooperation; better arrangement of tools or machinery; the discovery and installation of improved processes; and the standardization of materials, processes, and finished products. The author believes that a proper

emphasis upon these factors, as compared with the factors of machinery and power, may aid in the development of a more rational point of view with regard to what is now widely known as technological labor displacement. By William G. Roylance. *Monthly Labor Review*, November, 1933, p. 1028:11.

Strikes and the N.R.A.

New blood brought into the unions by the N.R.A. attitude toward labor has led to the many strikes since March, the author asserts. The seasoned worker would prevent labor turmoil, he feels, but the younger man follows appeals to his fighting temper. By Thomas Nixon Carver. *New York Herald Tribune Magazine*, November 19, 1933, p. 4:2.

Reduction of Hours of Work

Report of the Tripartite Preparatory Conference considering the reduction of hours of work of salaried employees as a means of creating new opportunities of employment. The report covers a discussion of the following questions: 1. Is the reduction of hours of work capable of decreasing unemployment? 2. Is such a reduction necessarily contingent upon international agreement being reached? 3. Are there any special conditions which

must be considered as indispensable to insure that reduction in hours of work would be effective, and is it necessary that the standard of life of the workers be maintained? The report contains two appendices: 1. Giving the list of delegates to the Tripartite Preparatory Convention; and 2. Reproducing the text of the three conventions concerning hours of work already adopted by the International Labour Conference. *International Labour Conference, Seventeenth Session, Geneva, 1933.*

Employee Service: Hygiene, Recreation, Lunch Rooms, Stores, Safety**Handling Material Accidents—Their Cause and Prevention**

The term "handling," as used in this bulletin, denotes lifting, carrying or manipulating any object or material by means of the human hands and the strength of the body. By means of an analysis of 200 characteristic material handling accidents the bulletin shows how simply most of these injuries arise and how such accidents may be prevented. The bulletin is provided with a series of photographs to illustrate methods of prevention. *New York State Department of Labor Bulletin No. 181, 1933.* 39 pages.

Can Accident Cost Be Controlled in the Natural Gas Industry?

In 1930, the new management of the United Gas System decided to make a determined effort to control accident costs. The author describes the workings of the program that was adopted, and sets forth results; answering the question which is the title of his article, he states "Over two and one-half years of effort in this direction have convinced the executives and the operating personnel of the United Gas System that the answer is an unqualified 'Yes.'" By J. C. Flanagan. *Executives Service Bulletin, November, 1933, p. 5:3.*

Benefit Systems and Incentives: Pensions, Vacations, Profit Sharing, Wage Plans, Suggestions, Stock Ownership**For Group Insurance See Insurance Section****Rehabilitation and Employment**

The Vermont Marble Company, employing 3,500 people, has had no labor trouble. All of the directors live in the community with the employees and not only know them but take an active interest in them. This, the directors feel, has contributed to employee goodwill to a greater extent than welfare work. Welfare work, however, is not neglected. A pension system begins at 65 years of age after 20 years of service but does not begin then if a man is

still physically able to earn full pay. There is no limitation on a pensioner's outside activities and he is free to get another job without loss of pension so long as it is not in a competitive line. In case of death the widow receives the pension for a year. Upon the death, from any cause, of a man too young to be on a pension, the widow receives an income for five years, if he has been employed for three years. A policy of the greatest importance is that of giving the maximum of continuous employ-

ment. During good behavior no man with dependents is ever laid off. At the start of the depression the company instituted an extensive program of overhauling its numerous plants, thus providing employment for many who would otherwise have been laid off. *Industrial Power*, November, 1933, p. 30:2.

Bonus for Supervisors Too

A description of a plan to provide a financial incentive to supervisors to reduce costs which was applied in one plant of the Belden Manufacturing Company (rubber-covered and insulated wire and cord). The

controllable operating expense was cut 10 per cent the first six months this plan was in effect. In this organization, the improvement of manufacturing methods is left to the engineering and time-study departments. The foreman's job is to see that the expenses under his control are kept at a minimum, that standards of quality are kept up, production schedule met, and satisfactory relationships maintained between the company and the employees of his department. He is paid a bonus in direct proportion to attainment. Accompanying charts illustrate progress of the plan. By H. H. Steele. *Factory Management and Maintenance*, December, 1933, p. 494:3.

Shop Methods: *Industrial Engineering, Standardization, Waste, Rate Setting, Time and Motion Study*

The Foreman Looks at Motion Study

Feeling that in a smaller organization it is possible to obtain satisfactory results purely through the instruction of the supervisors and personnel in the fundamental laws of motion economy, the Globe-Union Manufacturing Company has translated the principles of motion study into the language of the shop. "Being on the firing line, foremen can plan and develop changes in methods before the time-study department has an opportunity to make the study." By R. P. Foose. *Factory Management and Maintenance*, December, 1933, p. 482:3.

How We Introduced Profit-Making Foremanship

The term "foremen" here includes men in all the key departmental positions. They are the personal representatives of the proprietor and are in direct contact with the rank and file. It is they who must strive for quality and low cost. To accomplish this they must be taught to measure their performance against standards, to think constructively, and to cooperate among themselves, and must be given an incentive to ensure that they carry their thoughts into action. One steel company accom-

plished these objectives by the following means: 1. Basic costs as standards of accomplishment are established for all kinds of operating conditions; 2 "Round Table" meetings with the foremen are held. Their performance is compared with the standard and charted; 3. The foremen's compensation is divided into two parts: one part is paid on the basis of the old established hourly rate or salary, the other part is a percentage of the first part which increases or decreases in proportion to the amount by which the men better the standards; 4. Standards are based on the cost of the final product leaving the department. Consequently, each foreman is not concerned so much with his individual cost as he is with the departmental cost as a whole. By E. M. Richards. *Business*, November, 1933, p. 30:2.

Motion Study Applied to Small Assembly and Machine Work

The author describes the application of motion study to a group of young women employed at individual operations lasting for such a relatively short period that the workers were, in some instances, changing their operations two or three times a day.

The methods applied included: 1. Process charting giving the picture of the job as a whole; 2. Micromotion Photography measuring the nature and type of the movements; 3. Chronocyclegraph Study from which it is possible to analyze the path of the movement. Emphasis is placed on the objections of the workers and the manner in which these objections were appeased. The results of the investigations for different operations varied a great deal but the average increase in the daily production per worker was 173 per cent. "This does

not mean," the author points out, "the speeding up or driving of the operators, but is due to simplification and elimination of all unnecessary movements. Such results might suggest that the work would become more monotonous, but experience has shown that the reverse is true, operators take more interest in work than before. One fact proving this is the increase in the number of profitable suggestions made by operators who have been trained." By A. G. Shaw. *Labour Management*, October, 1933, p. 169:2.

MARKETING MANAGEMENT

Monkey Wrenches in the Sales Test Machinery

The accuracy of a sales test, because it is a very small cross section of the national operation, depends upon the degree to which it is artificially made to reflect the balance of all factors operative in mass selling. Fundamentally, the accuracy of the sales test, whose theory is undeniably correct, rests on right planning, and the accuracy, care and good judgment of the operator. The author explains the variables, "the adverse 'breaks' which, not present, visible or predictable at the time the test is planned, influence its result away from that which the same procedure will achieve nationally." By Kenneth Groesbeck. *Advertising & Selling*, November 23, 1933, p. 16:4.

Seasonal Product Manufacturer Is in Debt to His Retailers

"Since the destiny of the manufacturer and the validity of his entire promotional investment is in the hands of the dealer and the retail salesman," the Norge Corporation feels that it is the manufacturer's responsibility to develop a year-round profit opportunity for its dealers. The company has met this responsibility by developing three products—a washer, a beverage

cooler, and a stove. These were carefully selected because they do not damage selling power on Rollator Refrigeration upon which the company wishes the main sales effort of the dealer to fall. By John H. Knapp. *Printers' Ink Monthly*, December, 1933, p. 19:2.

Low Obsolescence Becomes a Selling Point

"We of our company," the president of the Weston Electrical Instrument Corporation states, "are not entirely in sympathy with the present-day industrial tendency to seek the development of a replacement market by introducing into products a high factor of obsolescence." Although admitting that high obsolescence has, in some instances, enlarged sales volume, the author's company has held to a belief that, if it could reduce the obsolescence factor of its own products, it could lower its cost of development, its cost of manufacture, and its selling costs—thereby being able to extend its market and give better service. To this end, the company has bent its efforts toward the designing of equipment in such a manner that, concurrently with whatever developments may take place in the uses of the equipment, the products may be kept up to date by the users at very

little expense. "No nation," the author concludes, "can make itself rich by consuming alone. The national wealth consists of that portion of the product of industry which

exceeds in its time of consumption its time of fabrication or construction." By E. F. Weston. *Printers' Ink*, November 23, 1933, p. 12:2.

Sales Promotion: *Letters, House Organs, Advertising*

Direct-to-Consumer Investigation Forecasts Style Preference

To determine consumer preference the United American Bosch Corporation dispatched investigators armed with portfolios of photographs to conduct a door-to-door survey "in cities large and small from coast to coast." At the first public showing of cabinet designs based on the findings, writes the sales manager, 700 per cent more radios were sold than at a similar showing the previous year and the orders were within 1 per cent of the indicated preferences. By Roy Davey. *Executives Service Bulletin*, November, 1933, p. 7:2.

Phone Selling Plans Pull Orders at Minimum Cost

Radical reductions in selling costs through the planned use of telephone solicitation have been made by many concerns that found personal solicitation prohibitively high during the last several years. Summarizing the experience of six companies in a variety of industries, it is indicated that the use of the telephone has uniformly led to a reduction of selling costs and, in certain instances, been responsible for an increase in the volume of sales. *Sales Management*, October 10, 1933, p. 358:1.

Here's a New Sales Contest—Chain Against Chain

An inter-chain selling contest gave the sales force of the Silver Rod Stores a new incentive to show their mettle. The contest carried on with three other chain drug companies lasted one month. The article sold was a specific brand of razor blade. To win the contest Silver Rod

stores sold \$17,256 worth of razor blades or seven times as much as normal for an average month. The campaign is described in detail by the Vice-President of the company. By Louis Rodnon. *Chain Store Age*, December, 1933, p. 52:5.

"Advertise, Merchandise, and Give the Trade a Square Deal"

This is the simple formula which has sold a million jars of Noxzema in Canada since March, 1932. Thorough coordination of three standard selling forces—personal sales work, dealer education and newspaper advertising—has already accomplished more than the company had expected to accomplish in four years. This showing is reported by the sales manager. As told to J. M. Shaw by Bruce Crowell. *Sales Management*, December 15, 1933, p. 578:2.

Banker Sees Continuing Need of Advertising

"The banker, as a student of financial affairs, has a full appreciation of the fundamental place of advertising in business." The Vice-President of the Guaranty Trust Company further declares that from a banker's point of view, the crucial test of the last few years has been a revelation "of the tenacious hold which advertised products have gained upon consumer preference." By Eugene W. Stetson. *Printers' Ink*, November 23, 1933, p. 41:3.

A Census Scheme for Sales

An outline of a plan which has been in use with marked result in the Sheffield Gas Company, England. A representative of the concern calls at all premises within the company's area and takes note of all existing conditions as regards gas appli-

ances, having the following objects in view: 1. To ascertain whether the consumer is getting the best possible service from all the gas which he consumes; 2. To persuade the consumer to have any necessary alterations or improvements made to his installation and/or appliances, in order that the best possible results shall

be obtained therefrom, as regards both appearance and efficiency; 3. Wherever possible to obtain orders for additional appliances. A card record is kept of the findings. A step-by-step outline is given by the assistant sales superintendent. By S. Davies. *Marketing*, November, 1933, p. 12:2.

Retailing

Retailing's Growing Tax Burden

The present scale of emergency spending by the Government, says Mr. Rukeyser, must inevitably mean a heavier tax burden on the retailer. This writer describes the complicated pattern of Federal, State and local taxation, with sixteen states levying a direct tax on retail sales. He points out that the greater the share of the national income appropriated by taxation, the smaller the purchasing power of the public. He looks for some abatement with the opening of a new reservoir for taxes from legalized liquor trade. By Merryle Stanley Rukeyser. *The Merchandise Manager*, December, 1933, p. 19:3.

Specialty Selling Methods for Appliances

This article shows how a department store serving a trading area with a population of approximately 100,000 has built up a substantial business in electrical appliances through the use of aggressive

selling methods. The plan is described by the general manager of the store who strongly advocates outside selling and tells how this store has organized for such a program in appliances. By P. B. Morgan. *The Merchandise Manager*, December, 1933, p. 25:2.

Store Adjustments Under the NRA

The job of absorbing the additional costs of operating under the NRA code and of maintaining efficiency in selling and non-selling departments while working out personnel adjustments required by the introduction of the shorter working week is one that is taxing the ingenuity of store operating executives. The author discusses some of the new problems involved and tells how metropolitan stores are striving for compensating economies and new methods of increasing efficiency. By John Black. *The Merchandise Manager*, December, 1933, p. 21:4.

Books Received

Wage Rates and Working Time in the Bituminous Coal Industry 1912-1922.

A summary of rates for separate occupations in each coal district in the United States. By Waldo E. Fisher and Anne Bezanson. University of Pennsylvania Press, Philadelphia, 1932. 374 pages. \$3.50.

Editor and Publisher Market Guide for 1933. *Editor & Publisher*, New York, Nov. 26, 1932. 264 pages. \$4.00.

Broadcast Advertising. By Frank A. Arnold. John Wiley & Sons, New York, 1933 (television edition). 283 pages. \$3.00.

Life Begins at Forty. By Walter B. Pitkin. Whittlesey House, McGraw-Hill Book Co., New York, 1932. 175 pages. \$1.50.

Principles of Business. By Charles W. Gerstenberg. Prentice-Hall, New York, 1931 (rev. ed.). 809 pages. \$5.00.

The Fight for Financial Supremacy. By Paul Einzig. Macmillan Company, Ltd., London, 1931. 144 pages. \$3.00.

An Outline of Technocracy. By Wayne W. Parrish. Farrar & Rinehart, New York, 1933. 242 pages. \$2.00.

Readings in Marketing. By Fred E. Clark. Macmillan, New York, 1933 (revised edition). 798 pages. \$3.50.

Tax Diary and Manual for 1932. Prentice-Hall, New York, 1931. 272 pages. \$6.00.

Rural Banking Reform. By Charles Wallace Collins. Macmillan, New York, 1931. 187 pages. \$2.00.

The Metropolitan Community. By R. D. McKenzie. McGraw-Hill Book Co., New York, 1933. 352 pages. \$3.50.

Survey of Books for Executives

Trade Associations. By W. J. Donald. McGraw-Hill Book Co., New York, 1933. 437 pages. \$4.00.

The author of this book is a recognized expert in business and industrial management. This experience and his many contacts with trade associations eminently qualify him to write intelligently and forcefully upon a subject that has become tremendously important to American business and industry during the past six months. It is an exceedingly timely volume and will be helpful not only to hundreds of executives of new organizations that have been formed in recent months but also to the executives of long established associations and to industrial and business executives who are responsible for their company relations to trade associations.

Mr. Donald's book shows a clear and practical conception of what a trade association should be and how it should be operated, in order to obtain the fullest benefits for the industry or business that it represents.

Beginning with an excellent discussion of the principles of business management and of association management policies, the author leads us step by step through the entire field of association activity. He outlines how a trade association should be organized, discusses the problems of membership and financing, the qualifications and duties of officers, the work of committees,

and the holding of meetings and conventions.

Then follow chapters on the association executive and staff, and, finally, a complete but concise discussion of the kinds of services that can be rendered by trade associations.

Each subject covered in the book is properly related to the National Industrial Recovery Act and to codes of fair competition. It is an up-to-the-minute discussion in every respect.

CHARLES J. BRAND,
*Executive Secretary and Treasurer,
The National Fertilizer Association.*

Scientific Salesmanship. By Charles Bennett. American Efficiency Bureau, St. Louis, Mo., 1933. 702 pages. \$3.00.

According to the author this is "the first book in which a definite scientific theory of selling procedure is developed from the point of view of social psychology and dynamic economics." Part I is devoted to the development of the social, philosophic, and economic background for salesmanship, a discussion of the revolution in distribution which has made the new salesmanship necessary, and an account of the economic development and evolution of the modern salesman. In Part II the author introduces the new scientific theory of salesmanship defining it as the science of the expansion of meaning of objects for

the purpose of creating utility for them in legitimate commercial transactions. Part III is an orthodox treatment of the technique of salesmanship with special stress placed upon the "Expansion of Meaning" theory. In this chapter Dr. Bennett traces the sale from "pre-approach" activity on through to its completion. In Part IV the relationship of salesmanship to general economic welfare is pointed out in a discussion of the "Dynamic Economics of Salesmanship." Part V consists of two short chapters dealing with the "Psychology and Philosophy of Salesmanship" with special reference to the "Psychological Foundations of Buying Behavior" and the "Philosophic Foundations of Success in Salesmanship."

The Internal Debts of the United States. Edited by Evans Clark. Macmillan, New York, 1933. 430 pages. \$4.50.

The total internal long-term debts, both public and private, in the United States are estimated to be 134 billion. The carrying charges alone on these debts are 8 billion. This long-term indebtedness constitutes 40 per cent of the estimated national wealth of this country.

This volume, based upon an intensive study by a group of economists, gives a detailed picture of the growth and present amounts of the various classes of internal debts in the United States and sets forth the capacity of the various classes of debtors to meet these obligations.

It compares the long-term debt burden, *in toto*, and by specific classes of debts, with the amount of indebtedness outstanding at four crucial periods: 1. before the World War (1912, 1913, or 1914); 2. in a post-war depression year (1921 or 1922); 3. at the peak of prosperity in 1929; and 4. at the end of 1932 or beginning of 1933. It further compares the debt structure at these times with contemporaneous changes in population, production, commodity prices, wealth, and income, both by groups and for the nation at large. It shows the rela-

tion between the debt and wealth of the several groups, on the one hand, and the relation between the debt charge and the income of borrowers, on the other. And, finally, it contains recommendations for easing the strains of existing debts and for preventing these difficulties in the future.

The subjects taken up in successive chapters are: The Nation's Total Internal Debts; Farm Mortgage Indebtedness; Urban Mortgages and Real Estate Securities; The Railroad Debt; Public Utility Debts; The Debts of Industrial Corporations; Long-Term Debts of Financial Corporations; The Federal Debt; State and Local Indebtedness; Short-Term Business Debts; Short-Term Personal and Household and Bank Debts.

The contributors to the volume are Frieda Baird, John Bauer, Evans Clark, Wilfred Eldred, George B. Galloway, Wylie Kilpatrick, Gardiner C. Means, Victoria J. Pederson and Franklin W. Ryan.

God's Gold. By John T. Flynn. Harcourt, Brace & Co., New York, 1932. 520 pages. \$3.50.

This is a full length portrait of the oil king covering the whole ground from his parsimonious boyhood to his beginnings in Cleveland, from fixing things with the railroad to golf-playing days. The rise of American business is dramatized around the figure of Rockefeller. Stillman, Hill, H. H. Rogers, Carnegie are among the figures that pass across the stage. Mr. Flynn feels that it is somewhat hard to understand "the robust hatred which was expended on Rockefeller." Rockefeller's fortune was not only the most honestly acquired, he writes, but was amassed in the building of a great constructive producing business and in the development of a new system of industry. "The distinction between the Rockefeller fortune made by way of accumulated profit in the building not merely of a great business but a great business system and those fortunes made by a group of glorified stock-jobbers like

Morgan and Gates and Havemeyer and Moore and Reid and Gould and others was overlooked." The title of the book is taken from Rockefeller's own statement, "God gave me my money."

Modern Accounting Systems. By William D. Gordon and Jeremiah Lockwood. John Wiley & Sons, New York, 1933 (sec. ed.). 481 pages. \$4.00.

This book studies the application of accounting principles to various types of industry; the problems involved are classified in the order of their increasing complexity. In each system studied, emphasis is placed upon the accounting features peculiar to each business.

Financial institutions present the simplest form of accounting from the standpoint of books required. In this group marked variations in accounting methods are found and four types of institutions are studied, building and loan associations, insurance companies, banking institutions, and brokerage establishments. The accounting problems of the merchandising and manufacturing groups are then considered. Public service corporations constitute a group in themselves. Finally the non-profit-making organizations are discussed. Under this head come hospitals, fraternities, social and religious organizations, national governments and their political subdivisions. The accounting system of the municipality is representative of this group and is discussed in detail.

History and Theory of Agricultural Credit in the United States. By Earl Sylvester Sparks. Thomas Y. Crowell Company, New York, 1932. 476 pages. \$3.75.

The first part of this treatise deals with the place of foreign trade and the advances of capital by merchants to new agricultural regions. The significance of store credit in American agricultural development is stressed. In the second part, the evolution

and a critical analysis of the various types of land banks are given. The various agencies, other than land banks, which furnish farm mortgage loans are outlined in the third part. Part IV shows the function of the commercial bank in furnishing rural credits, and summarizes the theories concerning the utility of commercial bank credit to agriculture. In the fifth part, the intermediate credit institutions, including the operations of the Farm Board, are analyzed. The last section is a summary of the present status of farm credits and proposals for the future.

Dollars and Sense. Questions and Answers in Finance. By Irving Brant. John Day Company, New York, 1933. 172 pages. \$1.75.

In the words of the author, "the newspapers are publishing financial news, which today is the most absorbing topic in the country, in the financial language, and apparently expect it to be understood." His book is "a translation from the Financial into the American language."

It is a catechism on questions agitating the public mind, especially in the realm of finance and on interpretation, digest and history of present-day economic problems. War Debts, Inflation, Money, Hoarding, The National Budget, The Gold Basis of Currency, Devaluation of the Gold Dollar, Balance of Trade, The Tariff War, etc., are a few of the subjects discussed.

Finding a Job. By Roger W. Babson. Fleming H. Revell Company, New York, 1933. 191 pages. \$1.50.

That ever memorable time last March when all banks were closed, industry stagnated, and the whole commercial structure of the country seemed about to collapse, so impressed Mr. Babson with the importance of distribution, since "the nation was bulging with raw materials, food products and manufactured goods of every kind," that he decided "the greatest im-

mediate opportunity open to young people" was in the field of distribution rather than that of production or the professions. The advice he gives in this book is directed partially to the best ways of getting ready to look for and of applying for a job in business establishments. The latter part of the book is especially directed to heads of families "who should . . . be able to exert a greater influence over their children than anyone else."

World Revolution and the U. S. S. R.

By Michael T. Florinsky. Macmillan, New York, 1933. 264 pages. \$2.00.

The most significant doctrine of communist theory, that of world revolution, offers a key to all the economic planning and industrialization which is being carried on today in the Soviet Union and to the unmistakable and fundamental change which has taken place in the attitude of the U. S. S. R. toward the capitalist world.

Limiting his study to this central doctrine of communist theory, the author examines the doctrine, traces the difficulties of its development through the first years of the revolution, the struggle between Trotsky and Stalin, the international aspects of the new attitude of the U. S. S. R. and its probable outcome both home and abroad.

Distribution Today. By O. Fred. Rost. Whittlesey House, McGraw-Hill Book Co., New York, 1933. 335 pages. \$3.00.

As a result of the enforcement of the National Industrial Recovery Act "distribution will have purged itself of uneconomic and wasteful practices, will function more efficiently and at less cost, will promote better balance between production and distribution, will provide a more uniform but less spectacular rate of profit for those engaged in its field." From this beginning the marketing editor of *The Business Week* sets forth on a comprehensive discussion of the status of the independent retailer, the department store, the chains and mail-order houses and the various forms of modern

selling. Mr. Rost points out that the independent retailer of today, regardless of what line of goods he may be selling, has a better opportunity for survival and profitable operation than has been open to him for several decades. Although the average independent retailer charges most of his troubles to competition from either the department store, the chains and mail-order houses "each of these types of enterprises appears to have reached, for a time at least, a point of stabilization, and that a period of expansion, particularly such as was witnessed during the nineteen-twenties, is not likely to reoccur for some years to come."

The author concludes that the operation of the National Industrial Recovery Act will unquestionably increase the fund of knowledge of the cost of distribution, particularly from the detailed data to be obtained from uniform accounting methods.

The Development of Social Insurance and Minimum Wage Legislation in Great Britain. By Helen Fisher Hohman. Houghton Mifflin Company, Boston, 1933. 441 pages. \$3.50.

"A study of modern British social politics hinges upon the questionings and uprisings of the turbulent decade of the eighties. Changes in thought and opinion which were becoming articulate at that time shifted the emphasis in dealing with the poor from the techniques of depauperization to those of dealing with poverty as a problem of economic and social organization."

"The Liberal program of social reform found expression in the Trade Board Act, the Old Age Pensions Act, and the National Insurance Act." The object was to make possible a tolerable standard of independent existence for the industrious members of the working class.

"The Liberal social insurance and minimum wage program, though influenced by the doctrine of a minimum standard of living, embodied only a partial acceptance

of the idea. It was essentially individualistic in theory. It did not propose to establish a living wage, nor did it postulate the right to maintenance. It was offered, rather, as an inducement to self-help. In the case of the Trade Boards Act the purpose was to fix a minimum wage in certain sweated industries which, it was hoped, would establish a fair plane for bargaining between employers and employees. In the case of Old Age Pensions and the Social Insurance Acts it was the intention to provide means which would supplement the individual's efforts to provide against the contingencies of old age, sickness, and unemployment."

The author analyzes the development of the idea of a minimum standard of living, as expressed in this legislation, and traces the modifications in administration and theory which have taken place in the decade following the war.

The book is a Hart, Schaffner and Marx prize essay in economics.

Industrial Purchasing. By Howard T. Lewis. Prentice-Hall, Inc., New York, 1933. 536 pages. \$5.00.

Professor Lewis of the Harvard Graduate School of Business Administration, an outstanding authority on the subject, has compiled a comprehensive treatise on industrial purchasing under the sponsorship of the National Association of Purchasing Agents. The author discusses the significance of the purchasing function and its relation to other functional divisions of an industrial organization. On the more technical phases of his subject Professor Lewis presents an analysis of purchasing procedure; the purchasing agent's responsibility for quality, inspection, and the control of stores; speculative purchasing; purchasing budgets; and the technique of measuring purchasing efficiency. The text contains many forms and exhibits. Not the least valuable features of the book are a classified bibliography of 110 pages and an index.

Foreign Bonds; An Autopsy. By Max Winkler. Roland Swain Company, Philadelphia, 1933. 295 pages. \$3.50.

The recent depression has focused attention on the problem of securing the proper direction of the flow of capital into various industries and different nations. The new Federal Securities Act adopted May 27, 1933, is the first comprehensive attempt to tackle the problem constructively in the United States, although England has had a similar statute on its books since the first decade of the present century. Even in programs concerning a planned economy, the question of adequate supervision and regulation of capital flow is regarded as an essential component of the whole program.

The need for vigilant supervision of foreign security issues is eloquently set forth in "Foreign Bonds; an Autopsy." Dr. Winkler has for many years given serious attention to this problem of foreign security flotations, and the upshot of his wide experience and study in this field has enabled him to produce an authoritative book.

After an historical review of the frequency of default on government issues, Dr. Winkler gives detailed consideration to the causes of default, as well as the protective measures that have been adopted by some of the unfortunate creditor nations. He writes interestingly and intelligently. Of especial value is the table of defaults of foreign nations, as well as the defaults of individual states in the United States. Twenty-four billion dollars of government, state and city bonds in default today is enormous enough to give one pause. Following a detailed table listing the various government bonds in default, an eighty-page summary gives a running narrative of the salient facts bearing upon the defaulted issues. There is an eight-page index.

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